



Before the Pennsylvania Public Utility Commission
Annex A, Chapter 69, General Orders, Policy Statements and Guidelines on Fixed Utilities,
§69.1901-1904

Proposed Policy Statement on Pennsylvania Solar Projects

**COMMENTS FROM THE PENNSYLVANIA SOLAR ENERGY INDUSTRIES ASSOCIATION (PASEIA)
AND THE MID-ATLANTIC SOLAR ENERGY INDUSTRIES ASSOCIATION (MSEIA)**

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Introduction

Pennsylvania Solar Energy Industries Association (PASEIA) and the Mid-Atlantic Solar Energy Industries Association (MSEIA) appreciate the opportunity to submit comments on the *Proposed Policy Statement on Pennsylvania Solar Projects* (the "Policy Statement"), which seeks to provide long-term revenue stability needed to support solar development and address barriers to solar.

MSEIA is a not-for-profit trade association of companies and businesses working in New Jersey, Pennsylvania and Delaware involved in the development, manufacturing, design, construction and installation of solar photovoltaic (PV) and solar thermal systems. MSEIA is the local chapter of the national Solar Energy Industries Association (SEIA), which has nearly 500 members, including solar equipment manufacturers, installation companies, financing companies, and electric utilities.

PASEIA, a division of MSEIA, has a Pennsylvania focus and currently represents 35 solar businesses.

The Policy Statement

We appreciate the Commission's efforts soliciting comments to reduce barriers to solar energy as publishing in the Proposed Policy Statement (Statement of Policy, Title 52 – Public Utilities, PAPUC, 52 PA Code Chapter #69). In addition, PASEIA has been monitoring the progress of the Solar Assessment Group and appreciates that much effort has gone into that process to get us to the point we are at today.

For more than 10 years many barriers to deploying solar have been chipped away or at least reduced, with the help of the Commission, the Pennsylvania legislation and the Department of Environmental Protection. MSEIA/PASEIA has been an active participant throughout the process and particularly appreciates working with the Commission on establishing competitive, strong net metering and interconnection rules. These actions, among other policy decisions, helps position Pennsylvania as a leader in solar, but more work needs to be done. We ask for your continued support to spur development of this young industry by creating policies that encourage utilities to procure solar generation, not just from large scale solar systems but also the small, locally owned solar businesses. More local jobs in solar are created from small business when there is clear direction from policy makers that advance these small solar businesses.

Until recently, solar project development in Pennsylvania had been relatively slow, but in the last year, Pennsylvania is beginning to experience the impact of good state and federal policies and financial initiatives. As a result, the timing of the Proposed Policy to address barriers is key to a balanced, sustained growth for all market segments and to ensure the benefits are spread over all customer classes considering that all ratepayers pays for these programs.

Therefore, we urge the Commission to approve a policy that will allow the small, Pennsylvania based generators to survive in Pennsylvania. If small generators are excluded from the SREC utility process, they will not be able to compete and many will go out of business. The ability to sell their SRECs to EDCs and EGSs provides the critical financing to attract small businesses and residential customers to purchase solar. The spot market does not provide the certainty to make projects financeable, just like the large systems cannot build projects based on the potential revenue from the spot market. Obviously, a solar installer will have a difficult time selling a residential consumer a small solar PV system based on simple payback, if the SRECs sales are based on volatile spot market prices. If SRECs revenue is taken out of the financing mix, virtually no small systems will be installed in Pennsylvania. There are now over 400 registered solar installers who are listed under the PA Sunshine Program, many of which could be out of work if this barrier isn't eliminated.

PASEIA/MSEIA Supports Comments Submitted by Solar Alliance

Solar Alliance, a close partner with PASEIA/MSEIA, has also submitted comments on the Proposed Policy Statement. The Solar Alliance is a trade association of companies who manufacture and develop solar photovoltaic (PV) equipment and projects. Their member

companies work to advance state legislative and regulatory policies fostering PV deployment. Although Solar Alliance and PASEIA/MSEIA may have slightly different overall missions, most all of our interests overlap. The Pennsylvania division of MSEIA has worked very closely with Solar Alliance on many issues over the years and has jointly files comments in the past.

We have reviewed Solar Alliance's comments in advance of this filing and coordinated our efforts with them. Both PASEIA and MSEIA support Solar Alliance's comments on the Proposed Policy Statement. Having said that, PASEIA/MSEIA wishes to highlight certain Solar Alliance recommendations due to their importance to our members, and have additional comments as shown in the last section of this letter.

MSEIA and PASEIA wish to emphasize the following language, which has been extracted directly from Solar Alliance's comments:

From Solar Alliance's Recommendations

"a) Standardized contracts for the long-term procurement of SRECs should be fifteen (15) years, but the Solar Alliance accepts ten (10) years as a single fixed term in consideration of our discussions with the Solar Assessment Group and to maintain a simple, standardized procurement process".

"b) Additionally, each utility shall submit a plan to the PUC for their solar AEPS needs over a three year planning horizon. The PUC shall review the procurement schedule to verify that it is consistent with the annual increase in solar RECs for each utility that is needed to meet their AEPS obligations. This will help ensure a consistent rate of development, avoiding any "boom and bust" cycles that could be inadvertently created by large procurements followed by periods with no RFP activity at all".

Barriers to Solar

From Solar Alliance: "Absence of a simple and efficient procurement process for SRECs generated by small systems (less than 200kW)"

PASEIA/MSEIA agrees and supports the establishment of a separate, stand alone procurement process for small generators which would draw heavily on the standard contract developed for larger systems. Using the winning average price from the large scale RFP could ensure small systems can adequately participate in the market, if the rules are properly designed.

From Solar Alliance (and from the original procurement process structure proposed by the Gemstone Group for the small system generators):

" a) For EDC procurement of SRECs from systems less than 200kW, the price should be developed using the weighted average of all accepted winning RFP bids within a given service territory and would remain in effect until the next time a large scale solar utility

RFP took place in that territory. The standard Commission review process for certifying auctions and time frames for approval would apply.

- b) The price setting mechanism described above is simple and robust but may still be susceptible to anomalies that can occur in any RFP process. Accordingly, the Commission should consider developing guidelines for the weighted average price calculation that would fairly set aside atypical bids which skew the weighted average and detrimentally impact the price setting mechanism for small systems.*
- c) Utilities (EDCs) should publish the amount of SRECS they require at the beginning of the “open to buy” period using the price from their last large scale SREC RFP.*
- d) A standard bilateral contract for the purchase of SRECs should be offered to small generators, developers and aggregators on a first come, first serve basis. The contract would be standardized, brief, and written in plain language.*
- e) When the time comes for the next utility large scale solar RFP, the utility should determine the total SRECs under contract with small scale generators, developers and aggregators and plan their next offering accordingly.*
- f) Mechanisms should be put in place to ensure that the amount of small scale solar project SRECs procured through this process cannot exceed the number of SRECs procured by the EDC in its last large scale procurement.*
- g) Bid security should not be required because of the standard offer “open to sell” design.*
- h) For any projects from 50 kW to 200kW which are not complete, Development Security may be required not to exceed 2% of the nominal contract value. This should only be forfeited if construction is not completed within twelve (12) months of the effective date of the contract.*
- i) Both new and existing systems under 200kW should be eligible to participate in this standardized procurement process.*
- j) In addition to the above provisions (a – i) related to EDC procurement, any EGS who initiates an RFP should have the same requirements. Specifically, each EGS that initiates an RFP should subsequently be required to also offer standard contract procurement to systems under 200kW for an amount up to the amount procured in the RFP and at a price as set by that RFP.*
- k) Aggregators should be encouraged to play a role in bundling small projects to sell to both EDCs and EGSs by signing a master agreement to deliver SRECs for these small generators. They may enter into agreements with small system generators and “accumulate systems” in between and during the submission periods. The aggregated amount should be submitted using the standard contract forms during the open submission period at the published price. The quantities would be transferred to the utility over the contract period at pre-determined intervals using the GATS program”.*

PASEIA/MSEIA would further comment on the Proposed Policy Statement by adding, the following:

- No utility should purchase their entire yearly requirement through the RFP process, without offering a substantial quantity of capacity through the small generator standard contracts.
- The next cycle of the utility's RFP bidding process essentially begins by offering a standard bilateral contract for the purchase of SRECs from small generators, developers and aggregators on a first come, first serve basis. This process should begin immediately after the Commission approves the weighted average SREC price from the RFP bidding process.
- A fixed percentage of the SREC requirement should be reserved for the small system generators for the given cycle; this percentage must be determined before hand by the Commission or negotiated with the help from a small generator working group. If the fixed percentage of the SREC requirement in the given cycle is not filled by the time of the next large scale RFP solicitation then the outstanding percentage of SRECs would be added to the RFP SREC total for that cycle.

The clarifications noted above may provide additional details on the mechanics for the procurement process. There may be options other than establishing a percentage that could accomplish the same goal. To this end, PASEIA/MSEIA suggests the commission establish a working group that would use the framework submitted by the major solar industry trade associations and initially developed by Gemstone Group as the starting point for negotiating with the utilities.

MSEIA/PASEIA appreciates the opportunity to submit comments on the Commission's *Proposed Policy Statement on Pennsylvania Solar Projects* and we urge the Commission to approve a policy that will allow the small, Pennsylvania based generators to survive in Pennsylvania. Thanks to the Commission we are able to get these critical issues on the table now, as the market is developing.



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